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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: 15 JUN 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"B" EASTERN EUROPE. FINLAND. Embassy Analyzes Recent Trade Union Elections. A recent analysis by the US Legation Helsinki of election results for delegates to the forthcoming quadrennial Congress of the Central Federation of Finnish Trade Unions (SAK) clarifies the relative strengths of the Communists and Social Democrats in the Finnish labor movement. The Legation study came to the following conclusions; (1) the representation of the political groups at the Congress does not accurately reflect their strength in the SAK rank and file - for example, Social Democratic delegate strength is 68.5%, but its voting strength was 54.7%; (2) the 1951 election results compared to those of 1947 reflect an improved Social Democratic organizational position in certain key unions; (3) Social Democratic strength in SAK is based principally on skilled workers, non-intellectual civil servants, and commercial employees - all of whom traditionally tend toward conservatism; (4) the Communists remain a powerful and dangerous minority in the Finnish trade union movement; and (5) the strong Communist showing in the recent union elections was largely due to public dissatisfaction with social and economic conditions and not to large scale rank and file support for Communism. (C Helsinki Desp 810, 18 May 51). COMMENT: The Legation's conclusions give a tentative indication of a slight shift to the Left in the national Diet elections 2-3 July. The Social Democrats now control 55 Diet seats and the Communists 37 out of a total of 200.

"A" HUNGARY. Only Sporadic Civil Defense Preparations Reported. In a summary of current Hungarian civilian defense activity, the US Military Attache Budapest notes only a few indications of a planned program of anti-aircraft defense, which apparently is being implemented slowly but steadily. No permanent AA gun sites, other than World War II ones in disrepair, have been observed by the MA. A plan is apparently underway to ring Budapest with AA installations since all new perimeter barracks hold a preponderance of AA troops and equipment. The Military Attache estimates that Hungarian AA units are not yet in an advanced state of training, although recent indications point to an accelerated training schedule. A net of air warning spotters exists along the Austrian and Yugoslav frontiers. An air defense and communications center is reportedly near completion in Budapest and city-wide World War II siren-alarms are being repaired and tested. There are persistent rumors that residential and industrial air raid shelters are being steadily put in order. Housemasters are reportedly being instructed to use World War II air raid directives for guidance and the Communists are calling on the populace to undertake civilian defense measures. The Military Attache has observed no blackout preparations to date, nor does he know of the dispersal of industrial or governmental installations. (S MA Budapest 2551, 13 Jun 51).

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"C" POLAND. Withdrawal of Repatriation Mission From Germany Protested. US Embassy Warsaw reports that the Polish Government has protested a HICOG request that the Polish Repatriation Mission in the US Zone of Germany be withdrawn by 15 June. The Poles claim that the US action is illegal and deprives Polish citizens in Germany of any opportunity to return home. The Polish note concludes with the notice that the mission will be recalled as of 15 June. (C Warsaw 962, 13 Jun 51; R FBIS, 14 Jun 51). COMMENT: The Polish note is characteristically propagandistic and will undoubtedly be used to smear US motives toward Poland. There is no longer any practical need for a full-time Polish Repatriation Mission in the US Zone of Germany, since only 410 persons were repatriated in 1950, and 27 through 11 May 1951.

"B" YUGOSLAVIA. Mrs. Roosevelt To Attend Yugoslav-Sponsored Peace Conference. Mrs. Eleanor Roosevelt is reported to have accepted an invitation to attend the Yugoslav Peace Conference provided it is deferred until October. Ambassador Allen in Belgrade has learned that the Yugoslavs are greatly pleased with Mrs. Roosevelt's acceptance. (R Belgrade 1898, 13 Jun 51). COMMENT: The Yugoslav National Committee for the Defense of Peace, which is sponsoring the conference, has invited representatives of non-Cominform organizations interested in creating an effective international peace movement to counter the Soviet World Peace Movement. The Conference was originally scheduled for September in Zagreb. The presence of Mrs. Roosevelt at the Conference will add greatly to the prestige and prospects for success of the meeting.

"A" US Warns of Dangers in Establishment of Albanian Refugee Committee. The Department has informed Ambassador Allen in Belgrade that the recent establishment of an Albanian refugee committee in Yugoslavia runs counter to basic US interests in the area. Ambassador Allen has been instructed to point out to the Yugoslav Government that, if the activities of Albanian exiles in the West are likely to provoke a Soviet move against Yugoslavia, as the Yugoslavs allege, the danger is obviously much greater when such activity is sponsored by the Yugoslavs themselves. The US Government is therefore concerned over the possibility that Yugoslav creation of an Albanian exile organization may heighten international tensions in the area. 25X1A
13 Jun 51). COMMENT: As late as 12 June a Yugoslav Foreign Office official reiterated to Ambassador Allen his government's concern regarding Western support of resistance activities in Albania, on the grounds that disturbances in Albania would give Bulgaria an excuse to intervene under the Bulgarian-Albanian Mutual Assistance Pact. The recent increase in Albanian refugee activities in Yugoslavia tends to support the belief that Yugoslavia is presently more concerned with the extent of Western activities in Albania than with Soviet-Satellite armed intervention in support of the Hoxha regime.

"B" Borba Denies Yugoslav Aid to National Communists in Greece. The official Yugoslav Party newspaper Borba has bitterly denied a recent article by a US correspondent that the Yugoslavs are striving to create a national Communist Party in Greece. Borba compares the article with Cominform allegations that

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the movement for independence of the Italian Communists was a result of the "conspiratorial and plotting activities of Yugoslavia." Borba claims that it does not know if a movement similar to the one in Italy exists in Greece, but acknowledges that it may since there are forces in the workers' movement throughout the world which oppose "subjection to a hegemonistic policy." Borba reiterates the Yugoslav position that it does not meddle in the internal affairs of other Communist parties but can only serve as an example for the progressive forces in the international workers movement. (R FBIS, 14 Jun 51).
COMMENT: A Yugoslav Foreign Office official has professed to Ambassador Allen his disbelief in any possibility of the development of a national Communist Party in Greece. Ambassador Peurifoy in Greece has reported, however, that Yugoslav diplomats there are in close contact with Greek leftists interested in establishing such a party

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SECTION 2 (EASTERN)

"B" ISRAEL. Prime Minister Stresses Egypt's Importance in Obtaining Arab-Israeli Peace Agreements. According to US Ambassador Davis in Tel Aviv, Prime Minister Ben-Gurion recently informed Harold Hoskins of the Department of State that Israel's most important policy objective is the maintenance of peace and that Israel considers Egypt as being the key to the situation. Ben-Gurion stated that he regarded Egypt as the leading country of the Arab States and a nation that would dare to change its current policy toward Israel. For this reason Ben-Gurion said that he planned to do everything possible to persuade Egypt to take the lead in making peace, though he deplored the reactionary nature of the Arab governments generally. Mr. Hoskins told Ben-Gurion however, that he believed the Israeli Premier had an exaggerated opinion of Egypt and that Israel might better look to Turkey for cooperation in obtaining improved Arab-Israeli relations. Meanwhile [REDACTED]

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[REDACTED] Egypt has agreed to the settlement of Palestinian refugees within Sinai, provided that Israel agrees to compensate the refugees. (C Tel Aviv 865, 12 June 51; [REDACTED])

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COMMENT: While Egypt led the other Arab nations in reaching an armistice agreement with Israel after the 1948 Palestine hostilities, the present time does not seem an auspicious one for any action on Egypt's part in seeking a final peace settlement with Israel. Egypt's hostility toward Israel at present has been shown in two ways: (1) Egypt as well as the other Arab countries is seriously concerned over Israel's actions in regard to the current Syrian-Israeli border dispute, and (2) Egypt has shown a continuing determination not to lift the Suez Canal traffic restrictions against shipping bound for Israel even though the US, the UK, France, and several other Western nations have objected to the lack of complete freedom of passage through the Suez Canal. An Israeli-Egyptian agreement on the refugee question also does not seem likely, since the two countries have widely differing views on how much compensation Israel should give to the refugees and on when such compensation, if any, should be made.

"B" SYRIA. Syria Again Aroused Over Israeli Activity in Demilitarized Zone. The Secretary-General of the Syrian Foreign Office has registered a vigorous protest with the US Legation in Damascus over Major General Riley's (Chairman of the UN Truce Supervision Organization) action in giving the Israelis permission to resume drainage operations in the Huleh demilitarized zone. (See OCI Daily Digest, 11 June 51). The Secretary-General heatedly insisted that this action was a direct violation of the recent UN Security Council resolution and intimated that the Syrian Army might resort to direct action. (C Damascus 724, 12 June 51). COMMENT: The UNSC resolution aimed at strengthening the authority of the UN administra-

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tion in Palestine. It did request a cessation of drainage activity until satisfactory local arrangements had been made. Riley's authorization for work to continue inside the demilitarized zone on Israeli land, not on Arab-owned land, may incur the resentment of the Arab countries generally. It has been reported that the Arab Chiefs of Staff have decided to give Syria armed help in case hostilities develop over the drainage issue.

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"A" INDIA. Communist Plans to Disrupt Shipping. [REDACTED]

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[REDACTED] the Indian Communist Party is planning to infiltrate the Indian merchant marine and other maritime organizations in order to boycott US ships and goods. The Communist program envisages efforts to blow up US ships calling at Indian ports. (C/US Officials Only, [REDACTED])
COMMENT: Plans of this type have been reported at intervals since late 1949. At present there are relatively few Communists among Indian maritime, port, and dock personnel, and their only recent significant achievement has been a slow-down of work at the Calcutta docks during late 1950.

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"B" SOUTH ASIA. Southward Extension of Communist Chinese Frontiers. In September 1950, [REDACTED]

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[REDACTED] Chinese troops were maintaining military posts and were conducting patrols in the Kilik, Mintaka, Khunjerab, Shimshal, and Shaksam areas just north of the main Karakorum mountain range and well within territory usually considered to belong to Pakistan. Earlier, in June 1950, a Chinese patrol had been reported as occupying a position near the Karakorum Pass in Kashmir, some 50 miles due south of the Sinkiang border, from which it was routed by a force of Indian Gurkha troops. (C Karachi Desp. 1663, 14 May 51; S State to Karachi 76, 7 Aug 50; S Karachi 136, 9 Aug 50; [REDACTED])

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29 Sept 50) COMMENT: In view of the common Communist policy of extending jurisdiction over unsettled or undemarcated border areas until met by determined opposition, it is anticipated that the Chinese will eventually attempt to obtain de facto control of frontier regions in eastern regions in eastern Kashmir, northern India, Nepal, Sikkim, and Bhutan not actually occupied by Indian and other troops.

"C" INDONESIA. Justice Minister Resigns. Mohammed Yamin, Minister of Justice, resigned his cabinet post on 14 June as a result of widespread police and governmental criticism for his amnesty of 900 prisoners (only 200-300 were released before the Indonesian Government cancelled the amnesty). (S Djakarta 1753, 14 June 51).
COMMENT: Yamin's resignation removes a disturbing and extremely radical influence from the Indonesian Cabinet. He is highly unstable and, in the past, has cooperated with Communist elements in the country.

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"B" INDOCHINA. Armed Contingent Protests Against Vietnam Government. A Vietnamese who has been closely associated with the Cao Dai politico-religious organization in South Vietnam told Minister Heath that Colonel Tran Minh The, Chief of Staff of the Cao Dai armed forces, and 2,500 of his troops have marched from Vietnam into Cambodia by way of protest against the policies of the Tran Van Huu Government. Colonel The is reported to have stated that he will return to Vietnam only under a "national union" government of the sort which is advocated by Heath's informant. Heath observes that Colonel The is reputedly the real brains of the Cao Dai military and that this development, if true, is "rather alarming". (S Saigon 2223, 14 June 51). COMMENT: Cao Dai leaders have been bitter at their exclusion from the cabinet formed by Tran Van Huu in February this year. The action of Colonel The (which has been reported in the press) does not alter his anti-Viet Minh position and has little military significance. It is important, however, as an indicator of the rather extreme measures which Tran Van Huu, through his rigorous press control and police surveillance, has forced dissatisfied elements to adopt.

"A" CHINA. Chinese Communist Donation Campaign Gains Momentum. The Chinese Communist propaganda campaign to secure popular "donations" for the purchase of planes, artillery, tanks, and other heavy equipment is gaining momentum. In the last week, broadcasts have given extensive publicity to the donation movement, citing the contributions by workers, peasants, and industrialists in all sections of the country. According to the latest announcement, the donation drive will continue for the next six months, and contributions may be made either in lump sum or in a series of time payments. The names of contributors and the amounts contributed are to be published in local newspapers. (R FBIS, 14 June 51). COMMENT: The campaign for donations to purchase heavy equipment is currently serving the Communists as their major propaganda vehicle of the "Oppose America and Aid Korea" movement. It is particularly noteworthy that the Communists plan to continue the drive for at least six months -- an indication that the populace is being conditioned to accept a long campaign in Korea rather than an early truce. The donation drive, like the vigorously-pressed bond drive of last year, will also serve to withdraw cash from circulation and thereby help counter the inflationary pressures resulting from heavy war expenditures.

"C" Chinese Nationalists Reaction to Reported US-UK Japanese Treaty Accord. Commenting on reports from London that a compromise has been reached between the US and the UK which would exclude Nationalist China from signing a multilateral Japanese Peace Treaty, the Chinese Nationalist foreign Minister insisted that "whatever form the treaty may eventually take, the Chinese Government cannot accept any discriminatory arrangements regarding its participation." (C Taipei Reuters Ticker, 14 June 51). COMMENT: Similar face-establishing declarations have emanated from other Nationalist

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officials. Actually, it is believed that the Nationalists are already willing to concede tacitly that their chances of participating in a multilateral peace treaty are exceedingly slim.

- "B" KOREA. Possible Trap In Pyongyang Area. The Far East Command believes it is a "strong possibility" that the enemy is attempting to draw UN forces into a trap in the Kumhwa-Pyongyang-Chorwon complex. The unopposed movement of two small task forces on 13 June from Kumhwa and Chorwon to Pyongyang is not yet considered conclusive evidence that the enemy has abandoned the area. Air sightings have revealed numerous well-prepared and occupied enemy positions on both sides of the triangle, particularly in the commanding terrain to the east. If the enemy is unable to close a trap by driving toward the center of the triangle, his strength along the legs of the triangle may at least deny use of the area to UN forces. (S, DA-FECOM Telecon 4826, 15 June 51).
- "C" JAPAN. American Concern Desires Lease of Former Japanese Naval Shipyard. The Japanese Government has requested SCAP's approval for a contract between the National Bulk Carriers Inc. and the Japanese Government which provides for the lease to the former of land and the lease or purchase of equipment belonging to the ex-Japanese Naval Shipyard at Kure. The American concern plans to build at least four 40,000 ton steel tankers, which would be 10,000 tons larger than any present tanker. Pointing out the strategic advantages to the US and the economic advantages to Japan, the Department of State has queried Ambassador Dulles relative to possible adverse effects on the peace treaty. [REDACTED] June 51). COMMENT: Equipment at the Kure naval base has been designated for reparations. Although the Japanese have been authorized to utilize reparations equipment pending the peace treaty, this is believed to be the first instance in which it would be utilized directly by non-Japanese. The Japanese undoubtedly hope by this contract to establish a pattern whereby its excess shipbuilding capacity can be utilized rather than dismantled, as desired by the UK and part of the Commonwealth. In view of the UK's known attitude toward Japan's shipbuilding competition, it is not likely to favor this type of arrangement which would keep Japan's shipbuilding plant intact.

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SECTION 3 (WESTERN)

- "B" GERMANY. Allied High Commission Instructs Berlin Commandants on Soviet Trade Restrictions. At a meeting on 14 June in Bonn, the Allied High Commission (HICOM) agreed on the latest measures to be taken against recent Soviet interference with west Berlin's vital export trade with the West. HICOM has forwarded the text of a letter which is to be sent on 15 June by each of the Allied commandants in Berlin to Soviet authorities, repeating an earlier protest against the Soviet export restrictions and suggesting that the restrictions be withdrawn pending negotiations recommended by the Allies between Allied and Soviet experts. At the same time HICOM agreed to give the commandants discretion to take in their respective sectors "certain trade and commercial measures" which would indicate the seriousness with which the Allies viewed the Soviet restrictions and at the same time cause as much inconvenience and disruption as possible to the economic life of the Soviet sector of Berlin and East Germany. The HICOM plans to consider further countermeasures on 21 June. (S Bonn 945 and 946, 14 June 51) COMMENT: The Allied commandants in Berlin had originally recommended to HICOM the immediate application of countermeasures, including stoppage of all shipments from the Federal Republic and west Berlin to eastern Germany and east Berlin. The commandants have not as yet indicated the nature of countermeasures which they will now apply in response to the HICOM directive. They have estimated, however, that the Soviet interference, if continued, will result by 20 June in the complete stoppage of at least 75% of west Berlin's exports to the Federal Republic.
- "C" AUSTRIA. Soviet Response to Eviction of Repatriation Mission. In seeming retaliation for the expulsion on 8 June of the Soviet repatriation mission from the US zone, the Soviet element in Austria is curtailing approvals of grey passes permitting US personnel from Vienna to transit the Soviet zone en route to the Semmering Pass and the British zone. Of 61 US passes submitted for approval this week, only 15 have been approved. There is no pattern to the Soviet denials, and US personnel known to Soviet officials have had no difficulty in obtaining passes. A US representative expects to see the chief of the Soviet military division of the Allied Council on 15 June to demand the reasons for the Soviet pass denials. (S Vienna 3046, 14 June 51) COMMENT: The Soviets were expected to retaliate for the ejection of their mission (see OCI Daily Digest for 25 May 51). In past situations, Soviet retaliatory actions have been abandoned after a time, usually encouraged by Western counteraction.
- "C" FRANCE. Communists Irritated by Poster Campaign. The official French Communist Party (PCF) daily Humanite found it necessary two days ago to answer editorially the latest in a series of anti-Communist posters by which a young French politician is combatting PCF propaganda. Jean-

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Paul David's "Peace and Freedom" campaign pinpoints its propaganda effect in various social categories and appeals to various identifiable susceptibilities. Humanite's open reaction suggests that David is successfully exploiting a propaganda field which is proving embarrassing to the Communists. (C Paris 7727, 13 June 51) COMMENT: Although David refuses political backing and claims that his only source of funds is individual donations, since last fall he has flooded France with tracts, stickers, pamphlets, posters, a radio program, and, most recently, newspaper ads for a contest to determine the PCF leaders most likely to be liquidated if the USSR takes over France. The sly humor with which he ridicules the PCF has caught the French imagination, and the Communists are particularly perturbed because he has turned against them a technique which they themselves have used so successfully.

- "C" FRANCE/POLAND. Poles Intransigent on Strategic Items for Coal in Trade Negotiations. The French, who need between 1½ and 2 million tons of coal from Poland, will refuse to furnish certain types of ball bearings, despite Polish insistence for the inclusion of ball bearings in exchange for coal or any agreement at all. Furthermore, the quantity of Polish coal to be sent will be determined by the amount of bearings programmed. The French so far have successfully resisted Polish demands for molybdenum and nickel, although they propose including some aluminum. (S Paris 7777, 14 June 51) COMMENT: The US Government earlier informed the French Government that it would supply coal through ECA if Poland remained adamant and negotiations broke down. However, the French would be reluctant to see their trade channels with Poland broken for fear that this would result in the Poles not paying their \$15 million debt to France.
- "C" ITALY. Italian Press Comments on Elections. The Italian press generally agrees that Communist strength, as shown by the recent local elections, remains considerable. Messaggero (independent) says the relative numerical success of the Social-Communists "shows the economic-social problem is strongly felt, the masses are in a state of expectation, old methods must be reviewed". Another independent, Momento Sera, comments: "The Christian Democratic Party remains at the center of Italian political life but has been given indications which it cannot ignore without dangerous risk". The Christian Democratic papers claim a victory, but their coalition partners, the Republicans, point out that the numerical strength of the Communist bloc has not diminished. The Communist press claims a general leftward trend and urges that both the Government and its policy must be changed. The Communists point to victories in Taranto and Brindisi (a few of the spring elections were held in southern Italy) as proving that "the South wants deeds, not words". (P Rome 5693, 13 June 51) COMMENT: The Communists undoubtedly expect to make further gains in economically depressed southern Italy, most of whose local elections will be held in the fall. Although traditionally conservative and religious, the southern farmers see no inconsistency in remaining firm Catholics and at the same time voting for the economic benefits offered by Communism.

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"C" SPAIN. Lead Shipments to Soviet Orbit Continue. US Embassy Madrid reports that Spanish Government officials recently ordered a large lead producer to ship 700 tons of lead to Swiss and Liechtenstein firms buying for Czechoslovakian account. Two hundred tons (ingots) have already been shipped. The remaining 500 tons (sheets) are due to leave the latter part of June, but the private producer is delaying action on this order in the hope of avoiding shipment. The Embassy comments that these are the first such shipments of which it has been informed for almost two months and that during that period, lead exports had virtually ceased pending evidently futile Spanish Government efforts to arrange a possible barter deal with the UK for copper. (S Madrid Joint Weeka No. 49, 8 June 51) COMMENT: In March 1951, 500 tons of lead, believed to have been part of a 1,000 ton order, were shipped to Antwerp for a Liechtenstein consignee and for probable transshipment to Czechoslovakia. (See CCI Daily Digests, 20 Mar 51; 21 Apr 51) Five hundred tons of these new shipments may represent the second part of the 1,000 ton order. Spanish export policy is governed by the principle of securing the best return possible, either in goods or hard currency.

"C" UNITED KINGDOM. Government Embarrassed by Criticism of Administration of African High Commission Territories. Reviving the controversy which proved so embarrassing to the UK Government in early 1950, Tshekedi Khama, ex-regent of the Bamangwato tribe in Bechuanaland Protectorate, has called in London for a full judicial inquiry into the UK's administration of the Protectorate and of the manner in which he and his nephew, the reigning chief, were banished at that time. This move followed the refusal of the Commonwealth Relations Office to permit him to return to his tribal lands as a private citizen. Pointing out that the High Commission territories of Bechuanaland, Swaziland and Basutoland are the only British African dependencies with no local or legislative councils, Tshekedi requested in particular that responsibility for Bechuanaland be transferred to the Colonial Office instead of remaining with the Commonwealth Relations Office, which also handles relations with the neighboring dominion of South Africa. At the same time, his nephew Seretse Khama has asked to be allowed to return, with his English wife, to Bechuanaland as chief for a trial period. (U London Times, 6 June and 8 June 51) COMMENT: Since the declared policy of the UK Government is to protect native interests and develop local responsibility throughout the African dependencies, Tshekedi's criticisms are recognized by informed British opinion as having some justification. It is also recognized that the Colonial Office, with its broad experience in dealing with dependant territories, is much better qualified than the Commonwealth Relations Office to administer Bechuanaland. On the other hand, the highly race-conscious Union of South Africa, which strongly opposes the presence of a native chief with a white wife in a neighboring territory, has long-standing claims for the incorporation of the High Commission territories into the Union, and its Nationalist government has been actively pressing these claims recently. Any attempt by the UK to conciliate

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African native and domestic British opinion on the points raised by Tshekedi would appreciably worsen already poor UK relations with the present Union Government.

"B"

Cabinet Defers Decision on Shipping Embargo to China.

The Cabinet has decided against unilateral UK action to prohibit the carriage in British ships of items embargoed to Communist China under the 18 May UN Embargo Resolution. The Foreign Office states that this decision indicates Cabinet willingness to consider such a shipping prohibition further if a proposal for multilateral action were formally made in the Additional Measures Committee (AMC) of the UN. (S London 6585, 14 June 51) COMMENT: The Foreign Office statement suggests that the UK may in fact be willing to adhere to the UN shipping embargo policy, but it is wary of putting the extensive British shipping in Far Eastern waters at a competitive disadvantage by proceeding unilaterally. The UK may also believe that too-ready acceptance of the minimal action contemplated under the UN Resolution would tend to commit the UK in favor of a general shipping embargo, such as the US has informally urged and officials in the British Admiralty have reportedly recommended.

"C"

DENMARK. Government Concerned over Publicity Regarding East-West Trade.

The chief of the economic section of the Foreign Office informed the American Embassy in mid-May that the Danish Government was greatly concerned over the possible consequences to Denmark of making public the details of the program for restricting East-West trade. He said that the Government was not only generally apprehensive because of Denmark's extremely vulnerable position in a military sense but was also specifically disturbed over possible trade retaliation by the USSR and Poland. He reminded the US representative that, in view of the post-war British coal shortage, Polish coal had assumed vital importance to Denmark. The Danes have stated, however, that if the other participating countries agreed to the publicity, Denmark would concur. (S Copenhagen, Desp. 989, 16 May 51; S Copenhagen 967, 12 May 51) COMMENT: Danish fears are given solid support by the current figure on coal. Danish requirements for calendar 1951 total 6,700,000 metric tons. If Poland were to stop coal deliveries now, Denmark would require 2,150,000 tons until October 1952 from other sources.

"C"

PANAMA. Pro-Communist Officials in Arosemena Government. President Alicibiades Arosemena has appointed men with known Communist sympathies to four important positions in his new administration. The positions so filled are Advisor to the President, Minister of Education, Secretary of the Ministry of Education, and Manager of the Social Security Bank.

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COMMENT: These appointments have been severely criticized in Panama, and President Arosemena has reportedly admitted that such appointments were a mistake, but so far he has taken no action toward canceling them. The pernicious effect of the

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appointment of a pro-Communist as Advisor to the President is enhanced by the fact that Arosemena is indecisive by nature and greatly dependent on advice from others. The appointments in the Ministry of Education could become dangerous if prolonged, because Panamanian students, who have considerable political importance, are generally chauvinistic and consequently are susceptible to Communist agitation against "Yankee imperialism".

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15 June 1951

SECTION 2 (EASTERN)

- "C" CHINA. Chinese Communist Delegation Enroute to Tibet. A delegation from the Central Peoples' Government of China to Tibet reportedly left Peiping by rail on 15 June and is expected to arrive in Hong Kong about 20 June. The 15 member group, under the leadership of CHANG Ching-wu, accompanied by the six Tibetan delegates to the Peiping negotiations and by eight other persons assigned to the Chinese Communist Embassy in New Delhi, is expected to travel by air from Hong Kong to Calcutta via Singapore. (S, S/S Hong Kong 3768, 13 Jun 51). COMMENT: Both the governments of India and Tibet have expressed interest in the identity of the members of the above delegation, but as the Dalai Lama has still to make any definitive pronouncement on Tibet's acceptance of the Chinese Communist peace terms, the reception to be accorded this mission is unknown. A report that the Dalai Lama's brother is now in India where he has contacted United States officials for authorization to proceed to Washington as the Dalai Lama's personal representative is a possible indication that Tibet may not accept the Chinese terms and is seeking United States support.
- "C" JAPAN. YOSHIDA to be Advised that Non-Restrictive Character of Treaty is Maintained. Ambassador Dulles has requested that Prime Minister Yoshida be assured, relative to the US-UK agreement on the Japanese peace treaty, that while the treaty has undergone changes since last seen by Yoshida, these changes do not relate to matters of major substance. Yoshida is also to be informed that the US has stood firm and successfully for a treaty that is fundamentally liberal, non-restrictive, and non-punitive in character. (S, S/S London 6554, 13 Jun 51).
- "B" IRAN. Outlook for Iranian Oil Negotiations Considered Gloomy. The Iranian Government representatives, according to press reports, demanded at their first meeting with Anglo-Iranian Oil Company representatives that the company hand over seventy-five per cent of the profits made since 20 March before the talks could proceed. The British Embassy in Tehran has stated that the Iranians have also demanded that the Company's funds on deposit in the Bank Melli and the British Bank, amounting to approximately 300 million rials (roughly 8-9 million dollars) be turned over at once. In addition, the Iranians have announced that all contract labor of the "ex-AIOC", comprising several thousand British, Indians, and Pakistanis, are now on

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contract to the Iranian Government. Ambassador Grady reports that he begged Prime Minister Mossadeq to reconsider his present course of action, halt the provocative acts of government representatives in Abadan, and attempt to enter discussions with the British to seek some agreement within the principle of nationalization; he has told the Prime Minister that any such ultimatum as that regarding the company's profits would make proper discussions impossible. Mossadeq replied that he had never contemplated holding discussions with the British except in the framework of the nationalization law. The Department of State in suggesting that Ambassador Grady should point out to the Shah the dangers inherent in the Iranian attitude, characterizing the present Iranian position as not only unreasonable but designed to remove all hope of negotiations except on terms of complete capitulation. (U, New York Times, 15 Jun 51; S, S/S Tehran 3266, 14 Jun 51; S, S/S Tehran 3283, 14 Jun 51; S, S/S to Tehran 2393, 14 Jun 51). COMMENT: This Iranian demand--an attempt to implement Article 2 of the 30 April nationalization law--can hardly be acceptable to the British, who have recognized the principle of nationalization but not the validity of the specific nationalization law. An additional feature of gloom is the possibility that the tensions being created in the oil area through anti-British and anti-AIOC propaganda might break into violence and could force either the British or the Iranians into taking strong action.

SECTION 3 (WESTERN)

"B" BELGIUM. Van Zeeland Plans a More Efficient NATO. In the course of a recent discussion with General Eisenhower, Belgian Foreign Minister Van Zeeland, who is currently chairman of the North Atlantic Council, expressed doubt about the effectiveness of the present NATO structure. He agreed with General Eisenhower that the Deputies appear handicapped by a lack of sufficient delegated executive authority. Van Zeeland outlined a number of proposals to increase the efficiency of NATO, including a plan to encourage a European exchange of armaments which would make maximum use of European productive facilities (S, S/S Paris 7748, 13 Jun 51). COMMENT: The unused European defense production potential is one of the chief bottlenecks facing NATO. The hope of obtaining US equipment and additional US armament through MDAP is the basis of the general reluctance to place defense orders with neighboring countries, although a few instances of this have occurred. However, a more fundamental cause of this inertia may well be growing apprehension over financial and economic responsibilities which will fall on each country when burden-sharing allocations are determined.

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